

Application No.: 09/656,581  
Reply Dated: November 6, 2003  
Action Dated: May 6, 2003

Prodigy<sup>SM</sup>, *Interactive Personal Service*, and Accompanying  
Distribution Correspondence,  
May 1988;

Exhibit 25: Memorandum Entitled: *A Summary Report on Founding  
Members Focus Groups*, and Accompanying Distribution  
Correspondence,  
July, 1988;

Exhibit 26: Applicants' Reply dated May 5, 2003 responsive to the official  
action dated November 7, 2002 in pending application  
08/933,500.

## REMARKS

### I. SUMMARY

#### A. The Action

In the Action, the Examiner "reopened" prosecution of the Subject Application; rejected previously allowed pending claims 1-51; and made an inquiry under 35 USC §102(b) (Inquiry) (Action, pp. 1-6). More specifically, the Examiner stated that prosecution was being reopened because he believed the Subject Application was "not in condition for allowance," the Examiner noting new information had come to his attention as a result of his review of co-assigned reconstructed application serial 07/388,156 (now U.S. Patent 5,347,632) and art cited in pending co-assigned application serial 07/156,025, which the Examiner believed raised "issues as to patentability" for the Subject Application (Action, p. 2). Regarding the rejections of pending claims 1-51, the Examiner asserted only that the rejections resulted from issuance of other, co-assigned applications (Action p. 2).

In a telephone discussion with the Examiner on July 23, 2003 which Applicants' attorney originated to have the Action clarified, Applicants' attorney pointed out that

Application No.: 09/656,581  
Reply Dated: November 6, 2003  
Action Dated: May 6, 2003

though the Examiner had rejected pending claims 1-51 on an assertion of double patenting arising from issuance of "some" co-assigned applications, the Examiner had neither identified the issued, co-assigned applications, nor any issued, co-assigned claims, nor advanced any grounds to justify the double-patenting rejections made.

Following review of the Action, the Examiner stated the rejections of pending claims 1-51 had been inadvertent, and that Applicants should disregard the rejections communicated in the Action since no rejections of pending claims 1-51 had been intended. Further, the Examiner stated that, in fact, the only matters the Examiner sought to present in the Action were the notice of prosecution reopening, and the request for Applicants' response to the Inquiry.

Still further, to simply rectification of the inadvertency, the Examiner and Applicants' attorney agreed that rather than the Examiner reissuing a corrected action, Applicants would rely on the Examiner's clarification provided in the noted July 23<sup>rd</sup> telephone conversation, and submit in full response to the Action only a reply to the Inquiry.

## **B. The Inquiry**

### **1. In All**

Regarding the Inquiry, the Examiner listed 11 items, respectively designated "a" to "k," directed to experimental use or experimental sale of, respectively, the Prodigy<sup>1</sup> Network (Network), and the Prodigy Service (Service), the Network and Service collectively referred

---

<sup>1</sup>Prior to June 1, 1988, Prodigy, a general partnership under the laws of New York State, used the name Trintex. By action of the partners, that name was changed to Prodigy Services Company effective June 1, 1988. For convenience in the current reply, the Company is referred to simply as Prodigy, it being understood that prior to June 1, 1988 the name was Trintex, and after June 1, 1988 that name was Prodigy Services Company.

Application No.: 09/656,581  
Reply Dated: November 6, 2003  
Action Dated: May 6, 2003

to herein as the Prodigy System (System) (Action, pp. 4, 5). Of the 11 items set forth in the Inquiry, 4; i.e., items "b," "c," "f," and "k," are directed to experimental use or experimental sale of pending claims 1-51 of the Subject Application, and the remaining 7 items; i.e., items "a," "d," "e," "g," "h," "i," and "j," are directed to experimental use or experimental sale of the Prodigy System generally; i.e., without specific reference to pending claims 1-51.

Responsive to that Inquiry, Applicants note that as demonstrated in the disclosure statement dated February 29, 1991, and the reply dated May 5, 2003 responsive to the official action dated November 7, 2002 in pending application 08/933,500, both of which are incorporated herein by reference, and as demonstrated in this Reply, the multiplicity of factors that constitute the described use of the Prodigy System over the relevant period, embody and define a program of test for that System - those factors including - the pioneer technical character of the System; supervision and control of testing in three phases over approximately eighteen months; use of an expanding population of confidential and non-confidential testers to accommodate the public nature of the System; supply of the Service and Service-user software (Reception System software) to the testers non-commercially; e.g., at no cost - free; monitoring of tester experience in follow-up, documented interviews; continuous evolution of the Service application complexity and Reception System software, the Reception System software, itself, going through at least three substantial revisions over approximately the last five months of the test program in preparation for and prior to the commercial offering of the Service and Reception System software to the general public. Accordingly, in view of those factors, it is evident that when they are considered as a whole; i.e., in their entirety, as required under the controlling Supreme Court and Federal Circuit case law noted previously and/or herein, those factors establish that the described use and program of test were necessarily

Application No.: 09/656,581  
Reply Dated: November 6, 2003  
Action Dated: May 6, 2003

experimental - and - that no issue of "on- sale" arose at least because the Service and Reception System software were provided non-commercially.

## 2. Pending Claims 1-51 - Not Included

As to Inquiry items "b," "c," "f" and "k" concerning pending claims 1-51, Applicants would point out that the subject matter of claims 1-51 was not implemented; i.e., not included, in the preferred form of the Prodigy System experimentally used prior to commercial offering of the System at the end of September 1988. As explained in Applicants' reply dated May 23, 2002 to the first action issued in this application; i.e., the action dated November 23, 2001, while the subject matter presented in Applicants' Application emphasized a preferred embodiment different from the subject matter of claims 1-51, nonetheless, pursuant to the scope of 35 USC §112 as judicially interpreted, Applicants' disclosure also embraced a simplified embodiment other than the preferred embodiment, which simplified embodiment supported pending claims 1-51 as a matter of law. More specifically, though for purposes of efficiency, the preferred embodiment of Applicants' System called for employment of an advertisement (ad) queue at the user Reception System that was automatically supplied with user-targeted advertising provided from the System Information Layer, which targeted advertising could be displayed at the user Reception System screen in response to a coded call for advertising provided in the data employed to present user-requested screens of interactive applications - those skilled in the art would understand that Applicants' System could be modified by replacing the automated, targeted advertisement supply queue subsystem with a simplified, less efficient, non-automatic supply subsystem that, responsive to the coded calls, individually directed requests for targeted advertising to the network host having advertising, which advertising could be, thereafter, sent back to the user Reception System for display.

Application No.: 09/656,581  
Reply Dated: November 6, 2003  
Action Dated: May 6, 2003

However, and as stated above, with regard to Inquiry items "b," "c," "f" and "k," the scope of 35 USC §112 notwithstanding, the features of pending claims 1-51 were not included in the preferred form of Applicants' System employed in the experimental use previously explained.

### **3. Use Entirely Experimental and No Commercial Use or Sale**

With regard first to Inquiry item "a" concerning the "knowledge" of Applicants' attorney, Applicants' attorney notes that as to representations made in the above-noted disclosure statement dated February 29, 1991, those representations were made on information which included business-record documents provided to Applicants' attorney from approximately February 1989 to August of 1989 by Prodigy employees identified by Prodigy management as familiar with the relevant events, and the information so provided were believed to be true. Further, regarding this Reply, Applicants' attorney notes that the representations made herein are based on: again, information provided to Applicants' attorney from approximately February 1989 to August of 1989 by Prodigy employees believed familiar with the relevant events; and information provided from time to time thereafter by Prodigy employees believed familiar with the relevant events; and information provided by legal counsel to the current assignee of the Subject Application which included Prodigy business-record documents identified in the Appendix hereto and submitted herewith, as well as the Reply dated May 5, 2003 responsive to the official action dated November 7, 2002 in pending application 08/933,500, also identified in the Appendix and submitted herewith, all of which are incorporated herein by reference, and, subject to the comments herein, believed to be true.

As to Inquiry items "d," "e," "g," "h," "i," and "j," Applicants' maintain that as at least described in: the disclosure statement dated February 29, 1991; the reply dated May 5, 2003

Application No.: 09/656,581  
Reply Dated: November 6, 2003  
Action Dated: May 6, 2003

responsive to the official action dated November 7, 2002 in pending application 08/933,500; the business-record, documentary evidence attached as Appendix Exhibits 1-15; and as described herein, the Prodigy System was in test and experimental use, and not commercially used, offered for sale or sold from approximately January 1987 to at least early August 1988. Additionally, over that program of test, Prodigy continued to develop the Network software, including the user Reception System software; and, as well, continued to develop the Service applications featuring the System object data structure employed to support the applications on the Service, for which application development the application clients; i.e., application sponsors, paid Prodigy development fees to cover the associated development costs, the noted fees and costs being wholly incidental to the required development and testing of the System. During this period, the Prodigy Service and the Reception System software were made available to users free, and neither were commercially used, offered for sale or sold.

More specifically, and with regard to the testing program, from approximately January 1987 to September 1987; i.e., the first phase of testing, Prodigy established select employees and outside consultants including about 350 individuals by the end of September 1987, to confidentially test, at no cost to them for software or access time, the Prodigy System in their offices and homes and under Prodigy control, the System including the Prodigy Network and Service as they then existed. Additionally, during the first phase of testing, neither the Service nor the Reception System software were commercially used, offered for sale or sold.

Subsequently, from approximately October 1987 to March 1988; i.e., the second phase of testing, Prodigy added to the first-phase testers who continued on, three small groups of second-phase testers, the groups having approximately 100 specially chosen individuals

Application No.: 09/656,581  
Reply Dated: November 6, 2003  
Action Dated: May 6, 2003

each, deemed interested and bound in confidentiality to test the Prodigy System as it then existed at no cost to them for software or access time in their homes under Prodigy control. Further, the second-phase testers were chosen from select test regions, particularly: Connecticut; Atlanta, Georgia; and San Francisco, California. Additionally, during this period, Prodigy contracted with approximate 7 retail suppliers of software to sell Prodigy Service subscription kits including user Reception System software and other Service support information beginning in late September 1988 - on condition - that Prodigy would reserve to itself the determination of when in the future the software and Service were acceptable for release. As in the first phase of testing, during the second phase of testing, neither the Service nor the Reception System software were commercially used, offered for sale or sold.

Thereafter, from approximately April 1988 to at least early August 1988; i.e., the third phase of testing, Prodigy progressively added approximately 6,500 so called Founding and then Charter members to the first-phase and second-phase testers, who, as before, were carried forward. In the third phase of testing, the Founding and Charter members, were selectively targeted and contacted for inclusion, here also because of anticipated interest and experience, and were provided incentives for undertaking participation, the incentives including receipt of the Reception System software and Service access at no cost, and the possibility for reduced-cost membership once the Service was publically offered in the future. Further, the Founding and Charter members, had their Service access and use controlled and monitored by Prodigy, and like the second-phase testers, were once more chosen from the test-region locations of Connecticut, Atlanta and San Francisco. Accordingly, by August 1988, and prior to the Prodigy Service being commercially offered to the general public, the testing population, though having fluctuated, stood at approximately 7,500 members whose access to the Service was being controlled and

Application No.: 09/656,581  
Reply Dated: November 6, 2003  
Action Dated: May 6, 2003

monitored; and whose experience with the Service as characterized in problem reports and followup surveys, was being used to identify software technical difficulties, the resolution of which contributed to three successive, substantial revision of the Service software, and highlighted Service content shortfall that compelled Service application development, improvement and testing. Additionally, in the beginning of the third-phase of testing, on approximately April 7-10, 1988, Prodigy conducted a public demonstration of the Service as it then existed at one of the test-region locations, particularly San Francisco, at the San Francisco Computer Faire, to generate public awareness of the Service, potential recruitment support for the Founding testers program, and interest for the Service when it was hoped to be made publically available in late September 1988. In this regard, however, the Service was expressly described as still under development, and no orders were taken or sought. Rather, only follow-up cards were filled out for potential future contact. Still further, there was no explanation, or disclosure of the System operation. Neither the hierarchical network architecture, application object data structure, local storage, dynamic integration of applications at runtime, nor distributed processing were explained or otherwise revealed. In effect and consequence, the demonstration was a public relations event intended to develop current awareness of Prodigy Service in support of the Founding test members program, and, the future commercial availability of the Service in the San Francisco area. As in the first phase of testing, and the second phase of testing, during the third phase of testing, neither the Service nor the Reception System software were commercially used, offered for sale or sold.

Finally, beginning in late September 1988, the Prodigy Service and Reception System software were commercially released to the general public for sale in seven locations throughout the United States, the locations including Los Angeles, Sacramento, San Diego, Santa Barbara, Atlanta, Hartford and San Francisco, with the result that by November of



Application No.: 09/656,581  
Reply Dated: November 6, 2003  
Action Dated: May 6, 2003

1988, the Service member population jumped by more than 300 percent to some 25,000, and the Reception System software sales spired to approximately \$1,000,000 in retail value.

In view of all this, when the unrestrained, commercial offering of the Prodigy Service and Reception System software beginning in late September 1988 is compared to the restricted, program of test for the Network and Service from January 1987 to early August 1988, and particularly, to the third phase of test from April to August of 1988, during which the Service and Reception System software were neither commercially used, offered for sale or sold, it is evident that the factors which characterize that program of test above noted; e.g., pioneer system character; ongoing system development; testers controlled, supervised, limited in number, limited in time, and supplied free access - when considered as a whole; i.e., in their entirety - establish that the described use was necessarily experimental - and - that no issue of commercial use, offer for sale or sale arose. Indeed, in the faces of the hundreds of millions of dollars of investment; four years of development effort; groundbreaking system design; - and the potential for public embarrassment and stigma which would have followed were the System found unworkable, unreliable, or uninteresting - at least a fair and reasonable amount of testing both private and public can only be seen as *compulsory*. And, though Applicants believe it would be evident to those experienced in computer system and software development, Applicants point out, with emphasis, that, had the business decision been made *not* to fully test, particularly with the System as it existed and people approximating the intended market in the period from April to August 1988, that decision would have been, at best, irresponsible, and at worst, suicidal.

Application No.: 09/656,581  
Reply Dated: November 6, 2003  
Action Dated: May 6, 2003

## II. THE LAW

The United States Supreme Court and the Federal Circuit Court of Appeal have pronounced, that where an inventor undertakes experimental use of his invention to enable him to determine whether that invention is suitable for its intended purposes, that experimental use, and, matters ancillary to that use, will not disable, either actually or potentially, the patenting of that invention.

Further, the United States Supreme Court and the Federal Circuit Court of Appeal have additionally proclaimed that where anyone asserts an invention was on sale, they must prove: *first*, the invention was the subject of a commercial offer for sale pursuant to rules of contract law, and not in experimental use; and *second*, that the invention was ready for patenting.

The Experimental Use Doctrine is a cornerstone of our patent system. It arose in a matrix quarried by Congress; was dimensioned by the needs of commerce, technology, and the public interest; and, was, thereafter, sculpted by the highest levels of the judiciary. The Supreme Court first articulate this principal more than a hundred and twenty-five years ago in response to the injustice and oppression that arose from intolerant application of the patent-entitling requirement for newness set out in our earliest patent statutes. Over the last hundred and twenty-five years, though this principle has been repeatedly revisited, the Supreme Court has repeatedly reaffirmed and republished its propriety, reason, and value.

The Statutory Bar, likewise a pillar of our patent system, also articulates a fundamental policy which serves to assure that in return for the grant of a patent, the inventor enrich the public understanding with "new" matter which has not been commercially exploited

Application No.: 09/656,581  
Reply Dated: November 6, 2003  
Action Dated: May 6, 2003

beyond a prescribed period. The bar doctrine, though a fixture of our law from the outset, was recently simplified and re-articulate by the Supreme Court to make clear that *commercial* activity competent under law and *not experimental* activity, is a necessary element for establishing disqualification of an invention from patenting.

More specifically, currently our Patent Act, Title 35 of United States Code, provides in pertinent part of Section 102:

A person shall be entitled to a patent unless –  
\*\*\*\*

(b) the invention was ... in public use or on sale in this country,  
more than one year prior to the date of the application for patent  
in the United States,

35 USC §102 (1999).

The historical development leading to current Section 102(b), however, has been long and progressive. In that evolution, the need and propriety of the Experimental Use Doctrine as a means for avoiding injustice, and the requirement for disclosure of “new” matter in exchange for patent rights to assure enrichment of public knowledge has made these two elements essential and abiding parts of Section 102(b).

Following the adoption of our Constitution, Congress and the courts, in accordance with the empowering directive articulated in Article I, Section 8, Clause, 8 of the Constitution, sought, “[t]o promote the progress of science and the useful arts, by securing for limited times to ... inventors the exclusive right to their ... discoveries,” through the enactment and interpretation of successive patent statutes. While the underlying policy, as reflected in current Section 102(b), originally and subsequently required that a patent of limited term be granted only for inventions deemed to be “new,” the expression of what

Application No.: 09/656,581  
Reply Dated: November 6, 2003  
Action Dated: May 6, 2003

constitutes "new," has steadily evolved. In the beginning, though the expression of "new" was restrictively interpreted, over time, a more moderated interpretation was fashioned to accommodate the commercial and technological reality of our ever-increasingly more complex society.

Particularly, as described in our First Patent Act of 1790, the patent-entitling requirement of "new" was initially expressed in the context of subject-matter qualifications as: "any useful art, manufacture, ... or device ... not before known or used." 1 Stat. 109, 110. Thereafter, the Second Patent Act of 1793, credited largely to Thomas Jefferson, our first secretary of state and initial co-administrator of the patent granting system, articulated the essential as "not known or used before the application." Ch. 11, 1 Stat. 318, 319. Additionally, A defense to an infringement action was created where "the thing, thus secured by patent, was not originally discovered by the patentee, but had been in use, or had been described in some public work anterior to the supposed discovery of the patentee." *Id.*, at 322.

Still further, in 1829, the Supreme Court, in an opinion delivered by Justice Story concerning an inventor who developed a method of making leather hosing for carrying fluids; e.g., air, water, etc., but, licensed another who made and sold the hosing before a patent was sought, interpreted the above-noted provisions introduced in the 1793 Act and carried forward into the Patent Act of 1800, so as to deny the patent and established that:

[I]f he [the inventor] suffers the thing invented to go into public use, or to be publicly sold or use [*sic*], before he makes application for a patent. His voluntary act or acquiescence in the public sale and use is an abandonment of his right; or rather creates a disability to comply with the terms and conditions on which alone the secretary of state is authorized to grant him a patent.

*Pennock v. Dialogue*, 2 Pet. 1 (1829).

Application No.: 09/656,581  
Reply Dated: November 6, 2003  
Action Dated: May 6, 2003

In the Patent Act of 1836, the Congress for the first time included an express bar into the patent statute for acts occurring before a patent was sought. Like the earlier holding in *Pennock*, that provision precluded patentability if the invention was placed on sale or in use at any time before the patent application was filed. 5 Stat. 117. However, that provision, and the restriction it placed on the commercial realities of invention development and associated use and sale, was subsequently considered to be unduly harsh and indefinite, and the Congress, through the Patent Act of 1839, moved to qualify any loss of rights to patent by remedially providing a two-year grace period<sup>2</sup> following any occurrence of invention use or sale within which to file an application. 5 Stat. 353.

Yet further, and as noted in the Disclosure Statement dated February 29, 1991, the Supreme Court, still unsettled over the injustice that could befall a deserving inventor and potential patentee arising from development activity prior to the filing of a patent application, found it fitting and necessary to established the Experimental Use Doctrine above outlined.

In the landmark decision *City of Elizabeth v. American Nicholson Pavement Co.*, 97 U.S. 126 (1878), the Court, in its opinion delivered by Justice Bradley, established it was not a public use within the prohibition of the law, for an inventor to undertake, either publicly or privately, a program of test in an effort to persuade himself that his invention was, in fact, suitable for the purpose for which it was intended, and, any such use or sale *would not* be deemed to initiate the statutory grace period so as to potentially disqualify the inventor from obtaining a patent on his invention.

---

<sup>2</sup> The two-year grace period introduced in the Patent Act of 1839 was subsequently reduced to its current, one-year term a hundred years latter in the Patent Act of 1939.

Application No.: 09/656,581  
Reply Dated: November 6, 2003  
Action Dated: May 6, 2003

In *City of Elizabeth*, the inventor developed a method for making inexpensive and durable wooden pavement for public streets or roadways that avoided slipping and noise when walked upon; e.g., by horsed, etc. The method, in relevant preferred form, featured steps for preparing a subsurface foundation, arranging blocks thereon, endwise, in rows, so as to leave a continuous narrow groove between the rows, and, thereafter, filling the grooves with broken stone, gravel, and tar, or the like. The defendant City, without the authorization of the patentee, installed such pavement, and the patentee, in response, sued. As a defense, the City contended, among other things, that the pavement was in public use on a roadway in another city with the patentee's approval for *six* years before a patent was applied for, and that, accordingly, there had been an abandonment of the invention; i.e., the patent was bared under the applicable statutes, and, thereby, invalid. The patentee, however, contended that there had been no intended or actual abandonment of the invention because the use the defendant City asserted had been experimental, specifically - to determine if the pavement would perform as intended.

The Supreme Court, in its opinion delivered by Justice Bradley, in relevant part, affirmed the lower appellate court's determination that: the patent was valid and infringed; the patentee's use was experimental; and that such experimental use was excisable; i.e., not a bar to patentability. *Id.*, at 144.

In reaching this determination, Justice Bradley explained that experimental use of an invention by the inventor to determine its suitability was not, and, had never been considered a public use circumscribed by the law. He wrote:

The use of an invention by the inventor himself, or of any other person under his direction, by way of experiment, and in order to bring the invention to perfection, has never been regarded as ... [proscribed public] use.

*Id.* at 134 (citations omitted).

Application No.: 09/656,581  
Reply Dated: November 6, 2003  
Action Dated: May 6, 2003

More specifically, Justice Bradley noted that the patentee's program of test included a number of features which as a "*whole*" established that the patentee did not intend to abandon his invention, but, rather, that he intended to test his invention to determine if it was suitability for its designed purposes; those factors including: limited testing, only a comparatively short length of pavement was involved; the patentee paid the testing costs; the patentee directed testing to intended pavement features of performance and durability; the patentee monitored testing results; the patentee monitored reactions of pavement users; and the patentee tailored and undertook testing in accord with the nature and character of the pavement and its intended environment of use; i.e., wooden pavement for the public streets. *Id.* at 133-134 (emphasis added).

Still further, Justice Bradley speaking for the unanimous Court, pointed out and clarified that where experimental use; i.e., testing, is undertaken, any resulting public knowledge is of no consequence. Specifically, Justice Bradley explained:

It is *not* a public knowledge of his invention that precludes the inventor from obtaining a patent for it, but a public use or sale of it. ... Therefore, if it were true that during the whole period in which the pavement was used, the public knew how it was constructed, it would make *no* difference in the result.

*Id.*, at 136-137 (emphasis added).

As well, Justice Bradley explained, that experimental use does not violate the underlying Constitutional policy to grant patents for a limited time. He pointed out:

It is sometimes said that an inventor acquires an undue advantage over the public by delaying to take out a patent, inasmuch as he thereby preserves the monopoly to himself for a longer period than is allowed by the policy of the law; but this *cannot* be said with justice when the delay is occasioned by a bona fide effort to bring his invention to perfection, or to ascertain whether it will answer the purpose intended. His monopoly only continues for the

Application No.: 09/656,581  
Reply Dated: November 6, 2003  
Action Dated: May 6, 2003

allotted period, in any event; and it is the interest of the public, as well as himself, that the invention should be perfect and properly tested, before a patent is granted for it.

*Id.*, at 137 (emphasis added).

And, still further, Justice Bradley pointed out that where the nature of the invention and its intended purpose require, the patentee can do what he deems necessary to determine if the invention will work as the patentee intends it to; i.e., it is the manifest subjective intent of the patentee to test that controls. Further, Justice Bradley observed, that the outcome of the testing is not significant; i.e., it is not significant whether the testing results are good or bad, or whether the invention requires modification or not; i.e., the undertaking of testing *per se* is what excludes testing from proscribed public use. Still further, Justice Bradley expressly pointed out that ancillary benefit arising from the testing, will not change its permissible character. In these regards, Justice Bradley wrote:

When the subject of invention is a machine, it may be tested and tried in a building, either with or without closed doors. In either case, such use is not a public use, within the meaning of the statute, so long as the inventor is engaged, in good faith, in testing its operation. *He may see cause to alter it and improve it, or not. His experiments will reveal the fact whether any and what alterations may be necessary.* If durability is one of the qualities to be attained, a long period, perhaps years, may be necessary to enable the inventor to discover whether his purpose is accomplished. *And though, during all that period, he may not find that any changes are necessary, yet he may be justly said to be using his machine only by way of experiment; and no one would say that such a use, pursued with a bona fide intent of testing the qualities of the machine, would be a public use, within the meaning of the statute.* So long as he does not voluntarily allow others to make it and use it, and so long as it is not on sale for general use, he keeps the invention under his own control, and does not lose his title to a patent.

*It would not be necessary, in such a case, that the machine should be put up and used only in the inventor's own shop or premises. He may have it put up and used in the premises of another, and the use may inure to the benefit*



Application No.: 09/656,581  
Reply Dated: November 6, 2003  
Action Dated: May 6, 2003

*of the owner of the establishment. Still, if used under the surveillance of the inventor, and for the purpose of enabling him to test the machine, and ascertain whether it will answer the purpose intended, and make such alterations and improvements as experience demonstrates to be necessary, it will still be a mere experimental use, and not a public use, within the meaning of the statute.*

*Whilst the supposed machine is in such experimental use, the public may be incidentally deriving a benefit from it. If it be a grist-mill, or a carding-machine, customers from the surrounding country may enjoy the use of it by having their grain made into flour, or their wool into rolls, and still it will not be in public use, within the meaning of the law.*

*Id.*, at 134-135 (emphasis added).

The Supreme Court's pronouncements in *City of Elizabeth* stand as paradigms of insight and practical sense. The Court's recognition of the inventor's subjective intent to test, and the objective manifestation of that intent, as well as the inherence of testing in the inventive process, as controlling on the question of experimental use has rendered *City of Elizabeth* a guidepost to the public and courts in matters of statutory bar. This decision, and the Experimental Use Doctrine it articulates, as noted, have stood now for more than a hundred and twenty-five years - and, as also noted, though it has been repeatedly revisited, it has repeatedly been reaffirmed and republished for its propriety, reason, and value.

Most recently, the current Supreme Court, yet again, acknowledged the propriety and applicability of *City of Elizabeth* to matters concerning Section 102(b) and its statutory bar.

In *Pfaff v. Wells Electronics Inc.*, 48 USPQ2d 1641 (1998), the Supreme Court, in restating the parameters of Section 102(b), once more identified the fundamental and exculpatory character of experimental use in statutory bar circumstances. In the *Pfaff* case, the Supreme Court addressed the question of the point in the development of an invention at which the invention should be considered subject to the proscription of Section 102(b). More

Application No.: 09/656,581  
Reply Dated: November 6, 2003  
Action Dated: May 6, 2003

specifically, the Court sought to determine whether an invention had to be actually reduced to practice before it could be subject to Section 102(b) and its potential patentability disqualification. In concluding that actual reduction to practice was not necessary, and that simply being “ready for patenting”; i.e., a form of constructive reduction to practice modeled on the familiar consequence arising from the filing of a patent application, would do, the Court went on to establish a two-part test for application of the Section 102(b) bar that additionally republished the propriety of the Experimental Use Doctrine, and, the Court’s pronouncements in *City of Elizabeth*.

More particularly, and first, with regard to the announced, two-part test for application of Section 102(b), the Court declared:

We conclude, ... that the on-sale bar applies when two conditions are satisfied before the critical date. First, the product must be the subject of a *commercial* offer for sale. ....

\*\*\*\*

Second, the invention must be ready for patenting. That condition may be satisfied in at least two ways: by proof of reduction to practice before the critical date; or by proof that prior to the critical date the inventor had prepared drawings or other descriptions of the invention that were sufficiently specific to enable a person skilled in the art to practice the invention.

*Pfaff v. Wells Electronics Inc.*, 48 USPQ2d at 1647 (emphasis added).

Next, concerning experimental use, the Court in the referenced quote, explained, that the “first”; i.e., threshold, condition for application of the statutory bar was that the invention must be “the subject of a commercial offer”; e.g., not governed by the Experimental Use Doctrine. Specifically, the Court said,

*In this case* the acceptance of the purchase order prior to April 8, 1981, makes it clear that such an offer had been made, and there is no question that *the sale was commercial rather than experimental in character*.

Application No.: 09/656,581  
Reply Dated: November 6, 2003  
Action Dated: May 6, 2003

*Id.*, at 1647 (emphasis added).

And, with regard to the Experimental Use Doctrine, and *City of Elizabeth*, the Court pointed out:

We originally held that an inventor loses his right to a patent if he puts his invention into public use before filing a patent application. "His voluntary act or acquiescence in the public sale and use is an abandonment of his right" *Pennock v. Dialogue*, 2 Pet. 1, 24 (1829) (Story, J.). A similar reluctance to allow an inventor to remove existing knowledge from public use undergirds the on-sale bar.

*Nevertheless, an inventor who seeks to perfect his discovery may conduct extensive testing without losing his right to obtain a patent for his invention - even if such testing occurs in the public eye. The law has long recognized the distinction between inventions put to experimental use and products sold commercially. In 1878, we explained why patentability may turn on an inventor's use of his product.*

"It is sometimes said that an inventor acquires an undue advantage over the public by delaying to take out a patent, inasmuch as he thereby preserves the monopoly to himself for a longer period than is allowed by the policy of the law; but this cannot be said with justice when the delay is occasioned by a bona fide effort to bring his invention to perfection, or to ascertain whether it will answer the purpose intended. His monopoly only continues for the allotted period, in any event; and it is the interest of the public, as well as himself, that the invention should be perfect and properly tested, before a patent is granted for it. *Any attempt to use it for a profit, and not by way of experiment, for a longer period than two years before the application, would deprive the inventor of his right to a patent.*" *Elizabeth v. Pavement Co.*, 97 U.S. 126, 137 (emphasis added).

The patent laws therefore seek both to protect the public's right to retain knowledge already in the public domain and the inventor's right to control whether and when he may patent his invention.

*Pfaff v. Wells Electronics Inc.*, at 1645-46 (emphasis added).

Application No.: 09/656,581  
Reply Dated: November 6, 2003  
Action Dated: May 6, 2003

Still further, the support for *City of Elizabeth* and the distinction between permissible experimental use and prescribed commercial use does not resound with the Supreme Court alone. The Federal Circuit Court of Appeals, as it must, has likewise echoed its approval of both *City of Elizabeth* and *Pfaff*. For Example, in *EZ Dock Inc. v. Schafer Systems Inc.*, 61 USPQ2d 1289 (Fed. Cir. 2002), the Federal Circuit vacated and remanded the Minnesota district court's summary judgment that declared the patent of plaintiff EZ Dock invalid due to an on-sale bar, because the district court improperly analyzed and resolved experimental use and statutory bar issues against the plaintiff patentee.

Chief Judge Rader speaking for the court explained that two individuals invented a floating polyethylene dock system for use in marinas, etc. Upon making and deploying a prototype design, one of the inventors was approached by an unsolicited third party who saw stored sections of the prototype, and asked to buy such a dock system. After discussion, the inventors agreed to sell a system to the third party at three-quarters price. The inventors installed the dock at no charge; added accessories at no charge; and the third-party buyer agreed to allow the inventors to inspect the dock from time to time and make any repairs at no charge. The inventors over time did, in fact, visit, inspect, repair and improve the dock design at no charge. A little more than a year after the sale, the inventors filed a patent application which later issued as the subject patent. Thereafter, the inventors organized the EZ Dock company and transferred the patent rights to it. Subsequently, following unsuccessful licensing negotiations between EZ Dock and the future defendant in the Minnesota action, the defendant, without authorization, began to make and sell the dock system, whereupon, EZ Dock sued. The defendant counterclaimed for summary judgment, alleging, *inter alia*, invalidity on grounds of statutory bar arising from the sale of the prototype dock system to the noted third party, and EZ Dock responded with assertions of exculpatory experimental use. The district court granted the

Application No.: 09/656,581  
Reply Dated: November 6, 2003  
Action Dated: May 6, 2003

defendant a summary judgment of patent invalidity on grounds of the sale to the third party.

However, on EZ Dock's appeal, the Federal Circuit, in the majority opinion delivered by Chief Judge Rader, in recognition of and compliance with the principles announced by the Supreme Court in *City of Elizabeth* and *Pfaff*, reversed the district court's awarded judgement, and remanded the matter for rectification.

Specifically, Chief Judge Rader pointed out that the Supreme Court in *Pfaff* had determined that the on-sale-bar test previously used which called for evaluation of the "totality of circumstances" was unnecessarily vague and seriously undermined the interest in certainty. Continuing, Chief Judge Rader announced that, accordingly, the Federal Circuit "now" follows the "two-part test" *Pfaff* proclaimed, which applies the bar when an invention is *both* the subject of a commercial offer for sale and ready for patenting before the patent critical date, citing *Weatherchem Corp. v. J.L. Clark, Inc.*, 49 USPQ2d 1001, 1006 (Fed. Cir. 1998), *EZ Dock* at 1291-92.

Yet additionally, Chief Judge Rader insightfully explained at length that under prior holding of the Supreme Court and the Federal Circuit Court of Appeal, including specifically, *City of Elizabeth* and *Pfaff*, the principal question arising in matters of public use or on sale is whether or not the Section 102(b) bar is to be applied - and in that regard - experimental use is but one ground to negate imposition of the bar - while - failure to show commercialization of the subject invention is yet another - and - failure to show readiness of the subject invention for patenting is still another.

Application No.: 09/656,581  
Reply Dated: November 6, 2003  
Action Dated: May 6, 2003

Particularly, and with regard to experimental use Chief Judge Rader pointed out:

This court has repeatedly stressed that evidence of experimental use does not give rise to a free-standing doctrinal exception to statutory bars, *but instead operates to negate application of section 102(b)*:

[I]t is incorrect to impose on the patent owner, as the trial court in this case did, the burden of proving that a "public use" was "experimental." These are not two separable issues. It is *incorrect* to ask: "Was it a public use?" and then "Was it experimental?" *Rather the court is faced with a single issue: Was it a public use under 102(b)?* *TP Labs., Inc. v. Profl Positioners, Inc.*, 724 F.2d 965, 971-72, 220 USPQ 577, 582 (Fed. Cir. 1984); *Monon Corp v. Stoughton Trailers Inc.*, 239 F.3d 1253, 1258, 57 USPQ2d 1699, 1703 (Fed. Cir. 2001). *Because adequate proof of experimentation negates a statutory bar, the focus remains throughout the inquiry on application of the statutory bar itself.*

... *In Pfaff, the Supreme Court expressly preserved the experimental use or sale negation of the section 102 bars:* "Nevertheless, an inventor who seeks to perfect his discovery may conduct extensive testing without losing his right to obtain a patent for his invention — even if such testing occurs in the public eye. The law has long recognized the distinction between inventions put to experimental use and products sold commercially." *Pfaff*, 525 U.S. at 64. Experimentation evidence includes "tests needed to convince [the inventor] that the invention is capable of performing its intended purpose in its intended environment." *Gould Inc. v. United States*, 579 F.2d 571, 583, 198 USPQ 156, 167 (Ct. Cl. 1978); *Kolmes v. World Fibers Corp.*, 107 F.3d 1534, 1540, 41 USPQ2d 1829, 1833 (Fed. Cir. 1997) ("testing was ... required in such an environment in order to ensure that the invention would work for its intended purpose"). *Indeed in Pfaff, the Supreme Court reiterated its guidance in City of Elizabeth v. American Nicholson Pavement Co.*, 97 U.S.

Application No.: 09/656,581  
Reply Dated: November 6, 2003  
Action Dated: May 6, 2003

*126, 137 (1877), that an inventor does not inappropriately delay filing "by a bona fide effort to bring his invention to perfection, or to ascertain whether it will answer the purpose intended." Pfaff, 525 U.S. at 64-65.*

EZ Dock at 1292 (emphasis added).

Concerning the issue of experimental use in the subject case, Chief Judge Rader pointed out, that in view of the use and sale circumstances shown, which included: the inventors not yet selling docks when the third party bought; the third party not paying full price for the dock purchased; the inventors visiting the purchased dock on several occasions for free; and the inventors making repairs to the purchased dock for free, plaintiff EZ Dock had presented adequate evidence for a reasonable jury to find that experimental use was established. Accordingly, the Federal Circuit held the district court's grant of summary judgment that the subject patent was invalid due to an on-sale bar, was improper and remanded the matter.

Continuing - and keeping in mind Chief Judge Rader's observation that experimental use is a ground for negating operation of Section 102(b) and its statutory bar - it is instructive to note that in view of the Supreme Courts pronouncements in *Pfaff* that a Section 102(b) bar requires assessment with a two-part test; i.e., 1. Commercialization and 2. Readiness for patenting - on the issue of commercialization, the Federal Circuit has declared that to establish commercialization, those asserting the Section 102(b) bar must prove that a commercial offer for sale in accordance with traditional contract law principles has occurred.

Particularly, in *Group One, Ltd. v. Hallmark Cards, Inc.*, 254 F.3d 1041,1047, 59 USPQ2d 1121,(Fed. Cir. 2001), a case in which plaintiff Group One, Ltd., *inter alia*, sued Hallmark for infringement of two patents, and Hallmark, in relevant part, counterclaimed for a

Application No.: 09/656,581  
Reply Dated: November 6, 2003  
Action Dated: May 6, 2003

declaratory judgment that one of the patent was invalid under Section 102(b) owing to "on-sale" communications between Group One and Hallmark - and the district court returned a judgement which, in relevant part, declared the attacked patent invalid under the Section 102(b) bar. On appeal, the Federal Circuit, however, reversed and remanded that part of the judgement finding the attacked patent barred. More specifically, Judge Plager speaking for the Federal Circuit, pointed out that the district judge in finding the Section 102(b) bar had relied on pre-*Pfaff* case law, particularly, *RCA Corp. v. Data General Corp.*, 887 F.2d 1056, 12 USPQ2d 1449, that was founded on the "totality of the circumstances" test which the Supreme Court in *Pfaff v. Wells Electronics, Inc.*, 525 U.S. 55, 48 USPQ2d 1641(1998), had "swept away" with its two-part test. In reversing the district court, Judge Plager explained that the Supreme Court in *Pfaff* had established a more rigorous test that called for "an offer for sale in the contract sense"; a test, in fact, that courts and commentators had acknowledge was more rigorous than the *RCA* test, *Group One* at 1125.

Still further, the Federal Circuit went on to hold, speaking through Judge Plager:

Because of the importance of having a uniform national rule regarding the on-sale bar, *we hold that the question of whether an invention is the subject of a commercial offer for sale is a matter of Federal Circuit law, to be analyzed under the law of contracts as generally understood.* To hold otherwise would potentially mean that a patent could be invalid in one state, when the patentee's actions amounted to an offer under the laws of that state, and valid in a second state, when the same actions did not amount to an offer under the laws of that second state. Such a result is clearly incompatible with a uniform national patent system.

*Group One* at 1126 (emphasis added).

Additionally, Judge Plager noted in assessing whether one or more communication(s) might rise to the level of a commercial offer for sale, the Uniform Commercial Code



Application No.: 09/656,581  
Reply Dated: November 6, 2003  
Action Dated: May 6, 2003

("UCC") might be looked to, and/or, the Restatement of Contracts, the Supreme Court having noted approval of the Restatement in commercial-contract-law contexts, citing *Mobil Oil Co. v. United States*, 530 U.S. 604, \_\_\_, 120 S. Ct. 2423, 2429-30 (2000). See *Group One* at 1126.

In noting the district court's error in finding a bar under Section 102(b), Judge Plager summarized:

For the reasons explained, this conclusion [i.e., the district court's determination the communications between the parties established a statutory bar] was incorrect as a matter of law. *Only an offer which rises to the level of a commercial offer for sale, one which the other party could make into a binding contract by simple acceptance (assuming consideration), constitutes an offer for sale under §102(b).*

We do not mean to suggest that it will always be easy to ascertain whether a set of interactions between parties constitutes a commercial offer to sell. Nor do we propose to offer rules or even binding guidance for making such determinations, which offer would be little more than obiter dicta. *We do note in passing that contract law traditionally recognizes that mere advertising and promoting of a product may be nothing more than an invitation for offers, while responding to such an invitation may itself be an offer. Restatement (Second) of Contracts § 26 (1981).*

*Id.* at 1126 (emphasis added).

After *Group One*, the Federal Circuit, has followed the holding there provided. Indeed, not only has the Federal Circuit followed the *Group One* holding, but, it has further developed that holding in *Linear Tech. Corp. v. Micrel, Inc.*, 61 USPQ2d 1225, (Fed. Cir. 2001) to make clear that extensive, pre-release market and sales promotion activities characterized as a "marketing blitzkrieg," designed to generate commercial interest in the United States and abroad for a yet-to-be-released integrated circuit chip including inventive switching circuitry, the pre-release activity including: distributor notice

Application No.: 09/656,581  
Reply Dated: November 6, 2003  
Action Dated: May 6, 2003

information; sales representative conferences; circulation of chip data sheets; advertising; a newsletter, etc. - but - which the patentee, upon receiving order requests, responded to with a notice stating **"NEW PRODUCT/NOT RELEASED," "WILL ADVISE ON PART # ORDERED-NOT BOOKED"** and carried a comparable status for in its computer system - was not a commercial offer in accordance with contract law, and, accordingly, though the activity had been undertaken more than a year before the patent application filing, it would not support a Section 102(b) bar.

More specifically, Judge Clevenger writing for the Federal Circuit, pointed out that though Linear sued Micrel, a direct competitor, for infringement of Linear's subject chip circuitry patent in the District Court for the Northern District of California, following a bench trial limited solely to Micrel's invalidity defense, the district court held Linear's patent invalid under the on-sale bar of 35 U.S.C. §102(b). However, on appeal, Judge Clevenger explained, Linear challenged the district court's judgment of invalidity under section 102(b); Micrel cross-appealed several of the district court's evidentiary rulings; and the Federal Circuit, determined that under the new legal standard articulated in *Group One*, neither facts found by the district court regarding Linear's chip pre-release marketing activity, nor the associated evidence of record, supported a conclusion that an invalidating offer for sale occurred in the case, and, therefore, the Federal Circuit reversed the district court's judgment of invalidity, while affirming the district court's ruling in all other respects. Judge Clevenger noted, that under traditional contract law, advertising activity and the like, constituted invitations to the public to make offers - and Linear, in reply to such offers, by its notice "New Product/Not Released, Will-Advise on Part #, Ordered-not Booked," and the "not-booked" status of received orders in its computerized control system, had *reserved* its acceptance to some point in the future, and those receiving the Linear notice would understand that reservation. Accordingly, under applicable contract

Application No.: 09/656,581  
Reply Dated: November 6, 2003  
Action Dated: May 6, 2003

law, an agreement of sale had *not* been entered into, and, therefore, under *Pfaff* and *Group One*, no Section 102(b) bar had been triggered. See *Linear Tech. Corp. v. Micrel, Inc.*, 61 USPQ2d 1225, 1229-1234 (Fed. Cir. 2001)

For other Federal Circuit holdings following *Pfaff*, *Group One* and *Linear Tech.*, see; e.g., *Lacks Industries Inc. v. McKechnie Vehicle Components USA Inc.*, 66 USPQ2d 1083, 1093 (Fed. Cir. 2003) (“[T]he Special Master did not find ... [the patentee’s pre-critical date sales promotion and vigorous customer solicitation] activity, nor any other of ... [patentee’s] activities, to be a commercial offer for sale as defined by contract law. ... As the Special Master [whose findings the district court adopted] explicitly relied on a standard [RCA] requiring something less than ‘a formal offer under contract law principles,’ we must hold he erred by applying the wrong legal standard in determining whether there was an offer for sale under §102(b).”); *Minnesota Mining and Manufacturing Co. v. Chemque Inc.*, 64 USPQ2d 1270, 1279 (Fed. Cir. 2002) (“The evidence in the record, however, only indicates that Ricon [third part] had sent samples of Ricoseal [asserted prior art] to various companies. Providing potential customers with samples of a product, without providing any other terms, is not a commercial offer for sale, because the recipient could not act in such a way that would create a contract.”); *Allen Engineering Corp. v. Bartell Industries Inc.*, 63 USPQ2d 1769, 1778 (Fed. Cir. 2002) (“Bartell [the defendant, to establish a Section 102(b) bar] must show that, before the critical date ... the Red Rider [inventive product] was both (1) the subject of a commercial offer for sale not primarily for purposes of experimentation and (2) ready for patenting. *Pfaff*, 525 U.S. at 67, 48 USPQ2d at 1646-47. The first prong of this test involves a determination of whether a commercial offer for sale has occurred, applying traditional contract law principles.”[citing *Group One* and *Linear Tech.*]).

Application No.: 09/656,581  
Reply Dated: November 6, 2003  
Action Dated: May 6, 2003

Continuing, as noted earlier, the Supreme Court and Federal Circuit Court of Appeal have established that in accord with *Pfaff*, where anyone asserts that an invention was on sale, under Section 102(b), they are required to prove: *first*, the invention was the subject of a commercial offer for sale, and not in experimental use; and *second*, that the invention was ready for patenting. Additionally, it was explained, that with regard to establishing what constituted a commercial offer for sale under Section 102(b), the Federal Circuit had declared in *Group One* and *Linear Tech.* that a commercial offer for sale in accord with the law of contract was required, the touch stone being an offer upon which the other party could make a binding contract by simple acceptance.

Still further, it is also noted that the Federal Circuit has additionally established the burden of proof required to sustain a contention of a Section 102(b) bar asserted in the Patent and Trademark Office (PTO). Specifically, the Federal Circuit has announced that where the PTO asserts a statutory bar under Section 102(b) against a patent applicant, the PTO must sustain the initial burden of a *prima facie* case supporting the conclusion by a preponderance of evidence that the claimed invention was on sale within the meaning of §102(b); e.g., a preponderance of evidence supporting a contract of sale by the parties and the absence of experimental use.

The Federal Circuit in *In re Kollar*, 62 USPQ2d 1425, (Fed. Cir. 2002), a case where the assignee of an individual who invented a low-cost process for producing peroxide-based chemicals used in making ethylene glycol, entered an agreement with a third party to share technology and coordinate their research efforts with the ultimate goal of designing and building a commercial plant capable of implementing the claimed process to manufacture ethylene glycol, neither products of the process, nor use of the process were sold to the third party under the Agreement. However, the U.S. Patent and Trademark Office

Application No.: 09/656,581  
Reply Dated: November 6, 2003  
Action Dated: May 6, 2003

contended, *inter alia*, that the agreement entered more than a year before filing of the patent application on the inventive method constituted a firm offer to sell embodiments of the claimed method and established a statutory bar under Section 102(b) compelling rejection of the patent application which was imposed.

On the applicant's appeal to the Federal Circuit, the Federal Circuit reversed the PTO determination and remanded, holding that the agreement was a license under which development of the claimed process would have to occur before the process could be successfully commercialized. Further, the court noted the agreement did not involve the sale of a product of the claimed process, but, rather provided a license to practice the claimed process and "information defining an embodiment" of that process, which agreement could did not trigger the on-sale bar. *See In re Kollar* at 1430.

Moreover, the Federal Circuit in the opinion delivered by Judge Lourie, distinctly described the burden the PTO has to carry in order to sustain the contention of a disqualifying Section 102(b) bar against a patent applicant. Specifically, Judge Lourie noted it was incumbent on the PTO in proving the on-sale Section 102(b) bar disqualification of a patent application to initially establish a *prima facie* case by a preponderance of the evidence supporting conclusion of a statutory bar under the two-part test pronounced in *Pfaff*. In that regard, Judge Lourie for the Federal Circuit explained:

Section 102(b) provides in relevant part that "[a] person shall be entitled to a patent unless ... the invention was ... on sale in this country, more than one year prior to the date of the application for patent in the United States...." 35 U.S.C. §102(b) (1994). The Supreme Court established a two-prong test governing the application of the on-sale bar: "***First***, the product must be the subject of a ***commercial*** offer for sale.... ***Second***, the invention must be ***ready for patenting***." *Pfaff v. Wells Elecs., Inc.*, 525 U.S. 55, 67 [48 USPQ2d 1641] (1998). ***The PTO bears the initial burden of demonstrating that the preponderance of the evidence establishes, prima facie, facts supporting the***

Application No.: 09/656,581  
Reply Dated: November 6, 2003  
Action Dated: May 6, 2003

*conclusion that the claimed invention was on sale within the meaning of §102(b). In re Brigance*, 792 F.2d 1103, 1107, 229 USPQ 988, 990(Fed. Cir. 1986). Whether an invention is "on sale" within the meaning of §102(b) is a question of law based on underlying factual findings. *Monon Corp. v. Stoughton Trailers, Inc.*, 239 F.3d 1253, 1257, 57 USPQ2d 1699, 1702(Fed. Cir. 2001).

*In re Kollar* at 1427 (emphases added).

In view of the above, and particularly, the pronouncements of the Supreme Court in at least *Pfaff*, *Group One*, *Linear Tech.* and *Kollar*, in order for the Patent and Trademark Office to sustain a rejection of a patent application on the grounds of statutory on-sale bar pursuant to Section 102(b), the Patent and Trademark Office must establish a *prima facie* case supported by a preponderance of the evidence which demonstrates: that the invention was the subject of a *commercial* offer for sale, and not in *experimental use*; that the invention was ready for patenting; and that, at least, a commercial offer for sale in accord with the law of contracts was made, which was accepted to form a binding agreement.

Returning to consideration of matter concerning experimental use, as earlier noted, experimental use is not negated where ancillary benefit arising from the testing. The Federal Circuit has established that presence of payment in connection with experimental testing does not, of itself establish a Section 102(b) bar, but rather, it is merely a factor to be considered. For example, in *Baker Oil Tools, Inc. v. Geo Vann, Inc.*, 4 USPQ2d 1210 (Fed. Cir. 1987), the Federal Circuit held that payments for oil well packing installed in the course of testing an inventive packing device did not, of itself, destroy the experimental nature of the device testing or establish a Section 102(b) bar. In noting that payment in the course of testing is not determinative of a statutory bar, judge Neuman speaking for the court explained:

The district court found that "Baker charged for the packer components left in the well after completion of the packing." Baker Oil argues that such

Application No.: 09/656,581  
Reply Dated: November 6, 2003  
Action Dated: May 6, 2003

payment was incidental to the primarily experimental purpose of the operations, and that the court drew an improper adverse inference on summary judgment. *The circumstances of payment, it is well established, are factors to be weighed, but payment does not per se make a section 102(b) bar.* See, e.g., *TP Laboratories*, 724 F.2d at 971-72, 220 USPQ at 582 (payment made for device is "merely a piece of evidence to add to the evidentiary scale");

*Id.*, at 1214 (emphasis added). See also, *EZ Dock Inc. v. Schafer Systems Inc.*, 61 USPQ2d 1289, 1292-93, (Fed. Cir. 2002) (payment for sale of prototype patented dock system not determinative of a Section 102(b) bar); *In re Mahurkar*, 37 USPQ2d 1138, 1142 (Fed. Cir. 1995) (actual sale of two prototype catheters "did not place the invention in the public domain or lead the public to believe that the device was freely available"); *Manville Sales Corp. v. Paramount Systems, Inc.*, 16 USPQ2d 1587, 1592 (Fed. Cir. 1990) ("a sale that is primarily for experimental purposes, as opposed to commercial exploitation, does not raise an on sale bar"); *TP Labs., Inc. v. Professional Positioners, Inc.*, 220 USPQ 577, 583 (Fed. Cir. 1984) (where payment by dental patients for services rendered in fitting corrective appliances with free experimental tooth positioning appliance that were the subject of the invention, were incidental to the testing of the appliances, and neither destroyed the experimental nature of the test, nor establish a bar under 102(b)); *Smith & Griggs Manufacturing Co. v. Sprague*, 123 U.S. 249 (1887) (payment received from use of an experimental invention in the course of business *will not* change the experimental use to commercial use unless the business is established and successful and use extends over a prolonged period time; e.g., inventive buck lever making machine used for over a two years to make some 50,000 gross of buckle levers, all of which levers were sold, thus, transformed experimental use to a commercial use).

Yet additionally, the Federal Circuit, has established that sales-related arrangements in and of themselves do not establish a 102(b) bar especially where it has not yet been

Application No.: 09/656,581  
Reply Dated: November 6, 2003  
Action Dated: May 6, 2003

determined if the invention will operate acceptably in its intended environment. In *Shatterproof Glass Corp. v. Libby-Owens Ford Co.*, 225 USPQ 634, 640 (Fed. Cir. 1985) the court found that where the patent owner had solicited orders for specially coated glass while the development and design work for the inventive coating equipment and method were still in progress, a bar under section 102(b) would not arise. The court said:

The clear weight of authority is that a bare offer to sell does not *ipso facto* satisfy the "on sale" bar and the surrounding circumstances must be considered. ... In *In re Dybel*, ... 187 USPQ 593, 598 (C.C.P.A. 1975) where as here a sales contract had been entered into before the critical date, the court held that "for an invention of the type involved here to be 'on sale', it must be complete at least to such an extent that the purchaser knows how it will perform." As stated in *General Electric Co., v. United States*, ... 211 USPQ 867, 872, n.8 (Ct. Cl. 1981), the invention must have been "sufficiently tested to demonstrate that it will work for its intended purpose."

*Id.*, at 639-40. See also, *Linear Technology Corp. v. Micrel Inc.*, 61 USPQ2d 1225, 1229-1234 (Fed. Cir. 2001) (pre-release marketing and sales promotion activities characterized as a "marketing blitzkrieg," where patentee has not released product including patented invention and has not booked orders, does not provide basis for Section 102(b) bar); *C.R. Bard Inc. v. M3 Systems Inc.*, 48 USPQ2d 1225, 1236 (Fed. Cir. 1998) (Quotation of a sales price to a potential distributor of a product that is not available for sale does not of itself establish an on-sale bar); *Seal-Flex Inc. v. Athletic Track & Court Constr.*, 40 USPQ2d 1450, 1452 (Fed. Cir. 1996) (invention not completed if it required testing under conditions of actual use).

In view of the above, the Federal Circuit has clearly pronounced that business activity ancillary to experimental use, will not *per se* provide a basis for a Section 102(b).



Application No.: 09/656,581  
Reply Dated: November 6, 2003  
Action Dated: May 6, 2003

Accordingly, give the Supreme Court and Federal Circuit pronouncements in; for example, *City of Elizabeth*, *Pfaff*, *EZ Dock*, *Baker Oil*, *TP Labs*; *Shatterproof Glass*; *C.R. Bard*, and elsewhere, it is apparent that:

Where an inventor undertakes experimental use of his invention to enable him to determine whether that invention is suitable for its intended purposes, that experimental use, and, matters ancillary to that use, will not disable, either actually or potentially, the patenting of that invention.

### III. THE INQUIRY

As noted at the outset, the Examiner listed 11 items, respectively designated "a" to "k," directed to experimental use or experimental sale of, respectively, the Prodigy Network, and the Prodigy Service the Network and Service collectively referred to herein as the Prodigy System. Of the 11 items set forth in the Inquiry, 4; i.e., items "b," "c," "f," and "k," are directed to experimental use or experimental sale of pending claims 1-51 of the Subject Application, and the remaining 7 items; i.e., items "a," "d," "e," "g," "h," "i," and "j," are directed to experimental use or experimental sale of the Prodigy System generally; i.e., without specific reference to pending claims 1-51.

Yet additionally, though not among the designated Inquiry items, that Examiner also noted he sought clarification concerning the statement Applicants' attorney made in the Subject Application that Applicants are entitled to a priority date of July 28, 1989. Specifically, the Examiner asked whether Applicants by the noted statement were conceding for the Subject Application the priority of two related applications that date back to July 15, 1988. In answer to the Examiner's question, Applicants state they neither

Application No.: 09/656,581  
Reply Dated: November 6, 2003  
Action Dated: May 6, 2003

intended to, nor do they concede the priority of the application filed July 15, 1988 or the priority of the application filed March 23, 1989 for the Subject Application. Further, Applicant state that the referenced statement should be read and understood to mean they claim priority for the Subject Application to "at least as early as July 28, 1989."

In response to the Inquiry, Applicants point out that as demonstrated in the disclosure statement dated February 29, 1991, and the reply dated May 5, 2003 responsive to the official action dated November 7, 2002 in pending application 08/933,500, both of which as earlier noted are incorporated herein by reference, and as demonstrated in this Reply, the multiplicity of factors that constitute the described use of the Prodigy System over the relevant period, embody and define a program of test for that System - those factors including - the pioneer technical character of the System; supervision and control of testing in three phases over approximately eighteen months; use of an expanding population of confidential and non-confidential testers to accommodate the public nature of the System; supply of the Service and Service user software (Reception System software) to the testers non-commercially; e.g., at no cost - free; monitoring of tester experience in follow-up, documented interviews; continuous evolution of the Service application complexity and Reception System software, the Reception System software, itself, going through at least three substantial revisions over approximately the last five months of the test program in preparation for and prior to the commercial offering of the Service and Reception System software to the general public. Accordingly, in view of those factors, it is evident that when they are considered as a whole; i.e., in their entirety, as required under the controlling Supreme Court and Federal Circuit case law noted previously and/or herein, those factors establish that the described use and program of test were necessarily experimental - and - that no issue of "on- sale" arose at least because the Service and

Application No.: 09/656,581  
Reply Dated: November 6, 2003  
Action Dated: May 6, 2003

Reception System software were provided non-commercially. *See, e.g., City of Elizabeth, Pfaff, EZ Dock, Baker Oil, TP Labs; Shatterproof Glass; C.R. Bard, Group One, and Linear Tech.*

## **1. Pending Claims 1-51 - Not Included**

### **Inquiry Items "b," "c," "f" and "k"**

As to Inquiry items "b," "c," "f" and "k" concerning pending claims 1-51, Applicants earlier noted that the subject matter of claims 1-51 was not implemented; i.e., not included, in the preferred form of the Prodigy System experimentally used prior to commercial offering of the System at the end of September 1988. As explained in Applicants' reply dated May 23, 2002 to the action dated November 23, 2001, while the subject matter presented in Applications' Application emphasized a preferred embodiment different from the subject matter of claims 1-51, nonetheless, pursuant to the scope of 35 USC §112 as judicially interpreted, Applicants' disclosure also embraced a simplified embodiment other than the preferred embodiment, which simplified embodiment supported pending claims 1-51 as a matter of law.

In that regard, though for purposes of efficiency, the preferred embodiment of Applicants' System called for employment of an advertisement (ad) queue at the user Reception System that was automatically supplied with user-targeted advertising provided from the System Information Layer, which targeted advertising could be displayed at the user Reception System screen in response to a coded call for advertising provided in the data employed to present user-requested screens of interactive applications - those skilled in the art would understand that Applicants' System could be modified by replacing the automated, targeted advertisement supply queue subsystem with a simplified, less efficient, non-automatic supply subsystem that, responsive to the coded calls, individually

Application No.: 09/656,581  
Reply Dated: November 6, 2003  
Action Dated: May 6, 2003

directed requests for targeted advertising to the network host having advertising, which advertising could be, thereafter, sent back to the user Reception System for display.

More specifically, in accordance with their disclosure, Applicants' architecture is capable of various modes of operation. Applicants' system includes architecture that permits a network configuration capable of supporting a four-element arrangement; e.g., a content host; a user reception system; an advertisement host in the form of Applicants' high function host; and an advertiser host in the form of a gatewayed third-party host. Additionally, Applicants' architecture supports a location designation in the form of the ADSLOT identification code associated with ad partitions that, in simplified operation of Applicants' system, "locates" Applicants' high function host, which, in turn, identifies user-targeted ad content for ad partitions, which content may be received; for example, from a gatewayed advertiser host.

However, in order to concisely explain the simplified operation of Applicants' system it is helpful to first describe Applicants' preferred form of operation.

In the preferred form of operation, Applicants' architecture, in addition to addressing the basic tasks of supplying and presenting independent applications and targeted advertising concurrently at a user reception unit, also addresses other interactive network system problems, particularly, the problems of system communication line traffic and host complexity.

More specifically, as pointed out in Applicants' specification, where network architecture relies on hosted-centered processing, host complexity and communication line traffic is caused to increased, while system speed is caused to decrease where heightened processing is required of the host. Applicants' design, however, in preferred form,

Application No.: 09/656,581  
Reply Dated: November 6, 2003  
Action Dated: May 6, 2003

undertakes to limit the effects of such problems by relying on distributed processing that features greater reliance on the computing resources of the user Reception System, as for example, with the use of application and advertising content data storage and management at the reception system. As explained by Applicants, such an approach serves to move more of the system data processing burden to the user site, and to reduce the demand on and complexity of the system host. Additionally, and as also explained in their disclosure, Applicants' system preferably employs other strategies to help reduce line traffic, for example, pre-fetching advertising to the user reception system and maintaining an independent reception system ad queue that is periodically replenished as targeted ads are presented.

With regard to Applicants' preferred form of system operation, at system logon, the user activates the logon application at his reception unit. A logon request message including the user personal entry code and password is sent to the system file server and directed to the high function host of the information layer where the user is confirmed for entry to the system. Once logon is achieved, the ad manager of the user reception system sends a request to the high function host requesting a targeted ad queue. The high function host respond by: providing the parameters for the ad manager ad queue; i.e., queue capacity, replenishment value and a pre-fetched advertising threshold; supplying an ad queue, including a number of initial ad ids; and signaling "on" to the reception unit data collection manager. Thereafter, the user reception unit applies and stores the high function supplied ad queue information, obtains several initial ad objects identified in the supplied ad queue, and activates its data collection manager, thus, configuring the reception unit for targeted ad processing. (Spec p13, lns26-32; p124, lns25-29; p134, lns14-29).

Application No.: 09/656,581  
Reply Dated: November 6, 2003  
Action Dated: May 6, 2003

Once the logon and ad queue setup are completed, the user is free to begin accessing system applications and concurrently displayed advertising. For purposes of discussion, assume at this point the user has been accessing the service for a while, and the ad queue has fallen to the level requiring replenishment. In accordance with Applicants' teaching, the reception system ad manager sends a request to the high function host for refreshment of the user ad queue. In response, the high function host sends the user reception unit a list of new ids for ad objects targeted to the user, which the reception unit ad manager enqueues.

Subsequently, when the user requests a desired application, as explained in Applicants' disclosure, the associated application objects are collected from the user reception unit and the network as availability requires. Thereafter, as the user reception system builds the application initial page, and the object processor encounters a page partition that includes an ADSLOT identification code, the object processor calls the reception system ad manager to supply the id of an ad object, the object id being included in the object header. In response, the ad manager presents the object processor with the id for the lead object from the ad queue supplied by the high function host.

Following this, the object processor calls for the object identified by the high function host based on the virtual address contained in the object header, the object header including the object id which itself includes the address information concerning the object set and set item designation. Based on that address information, the object processor requests the identified object, which is retrieved, and the application page with the associated initial page of a targeted ad is presented at the user reception unit.

Application No.: 09/656,581  
Reply Dated: November 6, 2003  
Action Dated: May 6, 2003

Accordingly, now available at the user reception system is the application page the user originally requested, together with the initial page of a concurrently presented ad, the ad initial page including the identification for the subsequent page of the ad in the form of calls and associated program instructions to retrieve the ad subsequent page.

Thereafter, if the user selects; i.e., activates, the initial page of the concurrently presented ad, the program code of the object associated with the initial ad page will cause the subsequent ad page to be retrieved based on the address contained in the header of the subsequent ad page object called in that process and/or instructions to contact a gatewayed host; e.g., an advertiser host, for additional advertising content.

However, with regard to pending claims 1-51, Applicants' disclosed architecture is also capable of operating in a more simplistic fashion. Particularly, where host complexity and line traffic are not sought to be diminished, Applicants' system is also capable of operating, albeit not preferably, with restricted user reception system storage for targeted advertizing; i.e., with no ad queue; and no pre-fetching of targeted advertising object ids. In effect, and as would be appreciated by those skilled in the art, this amounts to having the ADSLOT identification code associated with an ad partition in a user requested application page received from the file server, immediately locate Applicants' high function host by calling the reception system ad manager for an ad object id, which, because of the absence of any ad queue, requires the ad manager to immediately call to the high function host for the id of a targeted ad, as the ad manager would otherwise do to replenish the ad queue were it present.

More specifically, where concerns regarding host complexity and communication line traffic are not substantial, and ad pre-fetching and queuing at the user reception system are

Application No.: 09/656,581  
Reply Dated: November 6, 2003  
Action Dated: May 6, 2003

suspended, Applicants' architecture is capable of operation generally similar to preferred operation, but, notably simpler. Particularly, with the simplified approach, operation would be as follows.

At system logon, as in the case of preferred operation, the user activates the logon application at his reception system, and sends a logon request message including his personal entry code and password to the system file server, which message is subsequently directed to the high function host of the information layer, where, if qualified, the user is confirmed for entry to the system. Once logon is achieved, the user reception system ad manager sends a request to the high function host for activation of the reception system data collection manager, no request for an ad queue, ad queue parameters, or pre-fetched ads being required.

Thereafter, the high function host responds by signaling the reception system data collection manager "on." Subsequently, on receipt of the high function response, the user reception system activates its data collection manager, and awaits user access of system applications and concurrently displayed advertising.

Following the noted setup sequence, when the user elects to view a desired application and requests it, as noted above, the associated application objects are collected from the user reception system and the network as availability dictates. Thereafter, as the user reception system builds the initial application page, and the object processor encounters an ad page partition that includes an ADSLOT identification code, the ADSLOT code immediately "locates" Applicants' high function host by calling the reception system ad manager for an ad object id, which, because of the absence of any ad queue, requires the ad manager to immediately call to the high function host for the id of a targeted ad, as the



Application No.: 09/656,581  
Reply Dated: November 6, 2003  
Action Dated: May 6, 2003

ad manager would otherwise do to replenish the ad queue if it were present. In response, the high function host then does what it would otherwise do if an ad queue were present at the user reception system, namely, designate a target ad id for the user based on known characteristics of the user, and return the id to the reception ad manager, which, then, provides the id to the object processor. Subsequently, the object processor calls the object for the ad initial page the high function host has designated based on the virtual address contained in the object id, and when received, includes the object at the ad page partition that carried the ADSLOT code. Thereafter, the application page with the associated initial page of the targeted ad is presented at the user reception system.

Following the noted procedure, as in the case of preferred operation, there would be available at the user reception system the application page the user originally requested, together with the initial page of a concurrently presented ad, the ad initial page including the identification for the subsequent page of the ad in the form of a call and associated program instructions to retrieve the ad subsequent page.

Subsequently, and as noted in the case of the preferred operation, if the user selects; i.e., activates, the initial page of the concurrently presented ad, the program code of the object associated with the initial ad page will cause the subsequent ad page to be retrieved based on the address contained in the header of the subsequent ad page object called in that process and/or instructions to contact a gatewayed host; e.g., an advertiser host, for additional advertising content.

Accordingly, in simplified operation, where the Applicants' system is configured in a four element configuration, namely: a content host; i.e., file server; reception system; advertiser host; i.e., gatewayed host; and an advertisement host; i.e., high function host, the

Application No.: 09/656,581  
Reply Dated: November 6, 2003  
Action Dated: May 6, 2003

ADSLOT identification code, when received from the file server with application content, acts as a location designation that locates the high function host, which, in turn, designates the id of an advertising object targeted to the user, that when included in the application page enables the user, based on the content of the designated ad object, to obtain subsequent ad content from a gatewayed advertiser host.

However, and as stated above, with regard to Inquiry items "b," "c," "f" and "k," the scope of 35 USC §112 notwithstanding, the features of pending claims 1-51 were not included in the preferred form of Applicants' System employed in the experimental use previously explained.

## **2. Use Entirely Experimental and No Commercial Use or Sale**

### **Inquiry Items "a," "d," "e," "g," "h," "i," and "j"**

With regard items "a," "d," "e," "g," "h," "i," and "j," as previously explained, the multiplicity of factors that constitute the described use of the Prodigy System over the relevant period, embody and define a program of test for that System - those factors including - the pioneer technical character of the System; supervision and control of testing in three phases over approximately eighteen months; use of an expanding population of confidential and non-confidential testers to accommodate the public nature of the System; supply of the Service and Service user software (Reception System software) to the testers non-commercially; e.g., at no cost - free; monitoring of tester experience in follow-up, documented interviews; continuous evolution of the Service application complexity and Reception System software, the Reception System software, itself, going through at least three substantial revisions over approximately the last five months of the test program in preparation for and prior to the commercial offering of the Service and Reception System software to the general public. Accordingly, in view of those factors, it is evident that

Application No.: 09/656,581  
Reply Dated: November 6, 2003  
Action Dated: May 6, 2003

when they are considered as a whole; i.e., in their entirety, as required under the controlling Supreme Court and Federal Circuit case law noted previously and/or herein, those factors establish that the described use and program of test were necessarily experimental - and - that no issue of "on- sale" arose at least because the Service and Reception System software were provided non-commercially; i.e., at no cost - free. *See, e.g., City of Elizabeth, Pfaff, EZ Dock, Baker Oil, TP Labs; Shatterproof Glass; C.R. Bard, Group One, and Linear Tech.*

**Inquiry item "a"**

More specifically, with respect to Inquiry item "a" concerning the "knowledge" of Applicants' attorney, as explained earlier, Applicants' attorney notes that as to representations made in the above-noted disclosure statement dated February 29, 1991, those representations were made on information which included business-record documents provided to Applicants' attorney from approximately February 1989 to August of 1989 by Prodigy employees identified by Prodigy management as familiar with the relevant events, and the information so provided were believed to be true. Further, regarding this Reply, Applicants' attorney notes that the representations made herein are based on: again, information provided to Applicants' attorney from approximately February 1989 to August of 1989 by Prodigy employees believed familiar with the relevant events; and information provided from time to time thereafter by Prodigy employees believed familiar with the relevant events; and information provided by legal counsel to the current assignee of the Subject Application which included Prodigy business-record documents identified in the Appendix hereto and submitted herewith, as well as the Reply dated May 5, 2003 responsive to the official action dated November 7, 2002 in pending application 08/933,500, also identified in the Appendix and submitted herewith, all of

Application No.: 09/656,581  
Reply Dated: November 6, 2003  
Action Dated: May 6, 2003

which are incorporated herein by reference, and, subject to the comments herein, believed to be true.

**Inquiry item "d"**

Concerning Inquiry item "d," Applicants would respectfully point out that in view of Supreme Court's pronouncements in *City of Elizabeth*, noted earlier, which pronouncements were approved in *Pfaff* and various Federal Circuit holdings, particularly,

He [the inventor] may see cause to alter it [his invention] and improve it, or not. His experiments will reveal the fact whether any and what alterations may be necessary. ... And though, during all that period, he may not find that any changes are necessary, yet he may be justly said to be using his machine only by way of experiment; and no one would say that such a use, pursued with a *bona fide* intent of testing the qualities of the machine, would be a public use, within the meaning of the statute.

*City of Elizabeth*, at 97 U.S. 134-135, the requests in Inquiry item "d" for features "added, enhanced, and/or improved in each deployment" during the period of test, accordingly, are neither material, nor relevant to the issue of experimental use. However, with respect to Inquiry item "d" Applicants would note the following.

**First Phase**

In the first phase of the test and development period, which extended from approximately January 1987 through September 1987, test efforts were directed to establishing the viability of the general concepts underlying the Network and data architecture, and the System software, which includes the Reception System software, to determine their performance and durability. Additionally, the applications that made up the Service as it existed in that period were tested individually and collectively to determine their viability and durability in combination with the Network and data architecture. Testing was conducted with select employees and outside consultants

Application No.: 09/656,581  
Reply Dated: November 6, 2003  
Action Dated: May 6, 2003

including about 350 individuals by the end of September 1987, who reviewed the System confidentially, and at no cost to them for software or access time, in their offices and homes and under Prodigy control, the System including the Prodigy Network and Service as they then existed. Additionally, during the first phase of testing, neither the Service nor the Reception System software were commercially used, offered for sale or sold. *See* Exhibit 1 outlining status following close of the test first phase and opening of the test second phase.

#### **Second Phase**

In the second phase, of the test and development period, which extended for approximately October 1, 1987 to the end of March 1988, Prodigy sought to determine if the Network and Service as they then existed would continue to operate in the hands of users who, while experienced with computer technology as a result of either occupation or interest, had not contributed to or participated in the design of the Service or reception system. Additionally, Prodigy sought to determine if the reception system would continue to operate as changes were made in it to fix problems encountered and to encompass the broader range of subscriber hardware and operating system configurations that existed in the subscriber population Prodigy intended to serve. Still further, Prodigy sought to test whether the Reception System software would continue to operate with the growing number of applications of increased object complexity being added to the Service.

In the second phase of testing, Prodigy added to the first-phase testers who continued on, three small groups of second-phase testers, the groups having approximately 100 specially chosen individuals each, deemed interested and bound in confidentially to test the Prodigy System as it then existed at no cost to them for software or access time in their homes under Prodigy control. Further, the second-phase testers were chosen from select

Application No.: 09/656,581  
Reply Dated: November 6, 2003  
Action Dated: May 6, 2003

test regions, particularly: Connecticut; Atlanta, Georgia; and San Francisco, California. As in the first phase of testing, during the second phase of testing, neither the Service nor the Reception System software were commercially used, offered for sale or sold.

Yet further, Prodigy retained ownership of the reception system software, providing only a license for its use. The Reception System software during this period improved from release 5.6.6 in October 1997 to release 6.0.0 at the end of March 1998, to improve stability, performance, and introduce fixes for discovered problems. Additionally, in accordance with the terms of the license, the user was obliged not to attempt to reverse compile or otherwise reverse engineer the source code, the source code for the reception system not having been supplied. As well, Prodigy monitored activity of these individuals by tracking identification numbers and noting frequency of use, type of applications viewed and duration of use sessions; and maintained technical support telephone lines to enable testers to report problems. In addition, Prodigy also monitored the effect of usage on network performance. Still, further, the number of application and associated data objects sets to support them on the Service at the beginning of April 1998 had increased to 60 for approximately 35 in October of 1997, thereby, increasing the complexity of the Service and its support on the Network. *See, e.g.*, Exhibit 1 status at the opening of the test second phase; likewise, Exhibit 2; as well, Exhibit 3; and see "Important Dates" attachment (p. 003199) of Exhibit 6; "Net Expenses" attachment (003384-85) at the end of Exhibit 10 showing development costs from January 1998 to June 1998 in thousands of dollars Exhibit 21 concerning the self-configuring stage at various points in its development.

### **Third Phase**

In the third phase of the test period started at the beginning of April 1998 and extending through the beginning of August 1998, Prodigy undertook to test the Network and Service

Application No.: 09/656,581  
Reply Dated: November 6, 2003  
Action Dated: May 6, 2003

over a broader user base to see if the Reception System software and Service would continue to operate in a setting more characteristic of its intended environment. For these tests, Prodigy proposed to gradually increase load levels by progressively adding groups of individuals secured from the public sector. This public testing constituted the third phase of the test and development period.

In the third phase of testing, Prodigy progressively added approximately 6,500 so called Founding and then Charter members to the first-phase and second-phase testers, who, as before, were carried forward. In the third phase of testing, the Founding and Charter members, were selectively targeted and contacted for inclusion, here also because of anticipated interest and experience, and were provided incentives for undertaking participation, the incentives including receipt of the Reception System software and Service access at no cost, and the possibility for reduced-cost membership once the Service was publically offered in the future. Further, the Founding and Charter members, had their Service access and use controlled and monitored by Prodigy, and like the second-phase testers, were once more chosen from the test-region locations of Connecticut, Atlanta and San Francisco. Accordingly, by August 1988, and prior to the Prodigy Service being commercially offered to the general public, the testing population, though having fluctuated, stood at approximately 7,500 members whose access to the Service was being controlled and monitored; and whose experience with the Service as characterized in problem reports and followup surveys, was being used to identify software technical difficulties, the resolution of which contributed to three successive, substantial revision of the Service software, and highlighted Service content shortfall that compelled Service application development, improvement and testing. As in the first phase of testing, and the second phase of testing, during the third phase of testing, neither the Service nor the Reception System software were commercially used, offered for sale or sold.

Application No.: 09/656,581  
Reply Dated: November 6, 2003  
Action Dated: May 6, 2003

In the third phase of testing, Prodigy, once again, retained ownership of the reception system software, providing only a license for its use. The Reception System software during this period improved to release 6.0.0 at the beginning of April, then successively stepwise, to release 6.2.4 at the beginning of August 1988, in order to continue improve of stability, broaden the range of p.c. brands supported, aid performance, and, still further, introduce fixes for discovered problems. Additionally, in accordance with the terms of the license, the user was obliged not to attempt to reverse compile or otherwise reverse engineer the source code, the source code for the reception system not having been supplied. As well, Prodigy monitored activity of these individuals by tracking identification numbers and noting frequency of use, type of applications viewed and duration of use sessions; and maintained technical support telephone lines to enable testers to report problems. In addition, Prodigy also monitored the effect of usage on network performance. Yet, further, the number of application and associated data objects sets to support them on the Service at the beginning of April 1988 had increased from 60 over 75 in August 1988, included a number of complex transactional offerings, still again increasing the complexity of the Service and its support on the Network. *See, e.g.,* Exhibit 3; Exhibit 5; Exhibit 6; "Important Dates" attachment (p. 003199) of Exhibit 6; Exhibit 10; "Significant Dates" attachment (p. 003299) of Exhibit 10; "Net Expenses" attachment (003384-85) at the end of Exhibit 10 showing development costs from January 1988 to June 1988 in thousands of dollars; "Test/Release" attachments (pp. 002996-3003) of Exhibit 11, illustrating test scheduling at the end of April 1988; Exhibit 12 showing ongoing Network and Service developments in August 1988; Exhibit 14, reports of problems found in testing in early August 1988.

**Inquiry item "e"**

With respect to Inquiry item "d," Applicants would note the following.



Application No.: 09/656,581  
Reply Dated: November 6, 2003  
Action Dated: May 6, 2003

A copy of the "Rules for the Hartford Pilot," which are believed to be representative in principal part of the rules for the panel testers and the Connecticut Computer Society (CCS) is provided at Exhibit 8. See also, Exhibit 23, a letter to a believed potential panel tester describing tester enrollment and conditions. See, as well, Exhibit 24, the "Qualitative Report on Tester Feedback," dated May 1988 for a description of the type of work the testers undertook and the finding of the testers regarding the service. See, likewise, Exhibit 25, the "Summary Report on Founding Members Focus Groups," dated July, 1988.

**Inquiry item "g"**

With respect to Inquiry item "g," Applicants would note the following.

Concerning confidentiality oversight in the second phase of testing, as noted in Exhibit 8, the "Rules for the Hartford Pilot," the second phase testers were expressly advised of confidentiality requirement for participation in the program. Additionally, the participants were chosen for the anticipated loyalty as employees of the IBM, one of the Prodigy partner, and/or their anticipated responsibility and good will as selected non-IBM second phase testers. Further, it is Applicants' attorney's understanding that the Service tester memberships carried logon identifications and testers maintained associated responsibility for their online conduct. Moreover, tester were monitored and charged for any purchases and, accordingly, they understood they were being observed. Still further, if Prodigy potentially determined abuse in the usage, by virtue of the logon control, members could be removed.

**Inquiry item "h"**

With respect to Inquiry item "h," Applicants would respectfully note that the characterization in item "h" that there were no confidentiality requirements in the third test phase fails to appreciate that the Reception System software was totally confidential. It was only distributed in unintelligible object code and its operation did not and could not

Application No.: 09/656,581  
Reply Dated: November 6, 2003  
Action Dated: May 6, 2003

reveal its propriety internal operation, nor the operation of the Network architecture, object data architecture, or the dynamics of its distributed processing, as for example, dynamic integration of applications on the fly at runtime. This observation of system complexity and lack of transparency as to internal operation from screen displays is further supported by the disclosure of the Prodigy patent applications that have been filed and issued as patents. Indeed, an insight into the security and confidentiality of object-code software distribution can be had by considering the length of time and depth of examination the Microsoft Windows® publicly distributed operating system software has had without the public having learned how it, in fact, operates. It is also to be noted that it is common understanding in the software industry that object-code software distribution has confidentiality as one of its important advantages. Accordingly, notwithstanding the absence of user confidentiality, there is little if anything a user can learn regarding the Network architecture, object data architecture, or the dynamics of its distributed processing, from distributed Reception System software or usage of the Service.

In this regard, Applicants' attorney would note that relative to the demonstration at the San Francisco Computer Faire in April 1988, which was undertaken for public relations purposes; e.g., noting of the Prodigy Service status, and stimulating interest for the Founding tester program then being selectively introduced in the San Francisco area, its is believed that demonstration of the Prodigy Service at the Faire and features of the Service displayed would not, and could not, have revealed the Network architecture, object data architecture, or the dynamics of Network distributed processing; e.g., dynamic integration of applications at the Reception System on the fly at runtime.

Still further, Applicants' attorney would note that though the reply dated May 5, 2003 responsive to the official action dated November 7, 2002 in pending application 08/933,500,

Application No.: 09/656,581  
Reply Dated: November 6, 2003  
Action Dated: May 6, 2003

attached here as Exhibit 26, indicates a demonstration comparable to the San Francisco Computer Faire was undertaken at the COMDEX exposition in Atlanta in the spring of 1988, it is, however, Applicants' attorney's understanding based on information provide to him in spring of 1989 from Prodigy personnel believed to be knowledgeable of the events, that the San Francisco Computer Faire demonstration was the only one of its kind to be put on.

Yet additionally, though Applicants' attorney is aware that Exhibit 11 notes the public relations success of the San Francisco Computer Faire and suggests future attendance at the '88 spring COMDEX show in Atlanta, Applicants' attorney, however, is unaware of any information to support that such a demonstration was actually undertaken. Rather, it is Applicants' attorney's understanding that while Prodigy employees attended the '88 Atlanta spring COMDEX show, they would have met privately with the Prodigy modem supplier and sponsors of Prodigy applications, to witness a public-relations display of the Service, which again, would have been wholly non-disclosing of Network or Service propriety internal operational features.

**Inquiry item "i"**

With respect to Inquiry item "i," Applicants would note the following.

It is Applicants' attorney understanding that Founding test members received the Reception System software in a "Start-up" Kits they were provided at no cost; i.e., free, along with six months of unlimited access to the Service which was also given at no cost; i.e., free. Further, it is Applicants' attorney's understanding that Founding test members, respectively, were offered a modem at a reduced price of approximately \$80 with which to access the Service from their respective personal computers when configured as Reception System with the free Reception System software. Still further, it is Applicants'

Application No.: 09/656,581  
Reply Dated: November 6, 2003  
Action Dated: May 6, 2003

attorney's understanding that Founding test members were provided the conditional ability to convert their free Service access to a reduced cost membership in the future, were the Service commercially offered to the public. *See Exhibit 2, p. 4.*

Charter test members, on the other hand, also received a "Start-up" Kit at no cost; i.e., free, but, with only three months of unlimited access to the Service at no cost; i.e., free. Charter test members, respectively, were also offer a modem to access the Service, but the cost was approximately \$100. The Charter test members, however, were provided no conditional conversion ability to reduced cost membership in the future, were the Service commercially offered to the public.

#### **Inquiry item "j"**

With respect to Inquiry item "i," Applicants would note the following.

Regarding the sponsor agreement, Applicants' attorney was advised by Prodigy employees believed to be knowledgeable that the sponsor provided the terms and condition for the development of applications for sponsors that would run on the Service. Applicants' attorney was further advised the agreement required confidentiality on behalf of the sponsor and called for a development fee described as being approximately sufficient to cover the cost of application development.

Regarding the distribution agreements, Applicants' attorney was advised by Prodigy employees believed to be knowledgeable that the distribution agreements were conventional in that Prodigy in the future, when released, would provide "Start-Up" Kits for access to the Service. Applicants' attorney was also advised that Prodigy retained the exclusive right to determine when and if the Service and Reception System software would

Application No.: 09/656,581  
Reply Dated: November 6, 2003  
Action Dated: May 6, 2003

be ready for commercial distribution and sale, and the distributors understood this and agreed to it. *See in this regard, Exhibit 2, p. 4.*

In view of the Inquiry response and the attached exhibits, Applicants would respectfully submit that as demonstrated in the disclosure statement dated February 29, 1991, and the reply dated May 5, 2003 responsive to the official action dated November 7, 2002 in pending application 08/933,500, both of which as earlier noted are incorporated herein by reference, and as demonstrated in this Reply, the multiplicity of factors that constitute the described use of the Prodigy System over the relevant period, embody and define a program of test for that System - those factors including - the pioneer technical character of the System; supervision and control of testing in three phases over approximately eighteen months; use of an expanding population of confidential and non-confidential testers to accommodate the public nature of the System; supply of the Service and Service user software (Reception System software) to the testers non-commercially; i.e., at no cost - free; monitoring of tester experience in follow-up, documented interviews; continuous evolution of the Service application complexity and Reception System software, the Reception System software, itself, going through at least three substantial revisions over approximately the last five months of the test program in preparation for and prior to the commercial offering of the Service and Reception System software to the general public. Accordingly, in view of those factors, it is evident that when they are considered as a whole; i.e., in their entirety, as required under the controlling Supreme Court and Federal Circuit case law noted previously and/or herein, those factors establish that the described use and program of test were necessarily experimental - and - that no issue of "on- sale" arose at least because the Service and Reception System software were provided non-commercially. *See, e.g., City of Elizabeth, Pfaff, EZ Dock, Baker Oil, TP Labs; Shatterproof Glass; C.R. Bard, Group One, and Linear Tech.*

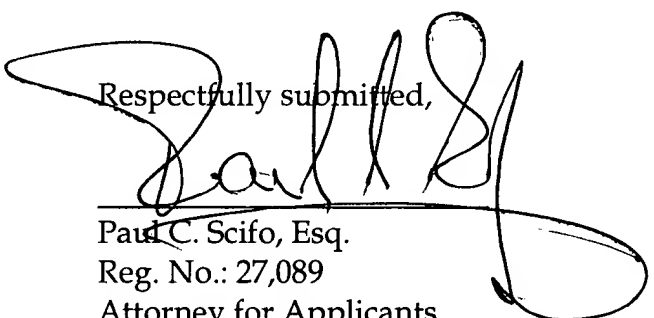
Application No.: 09/656,581  
Reply Dated: November 6, 2003  
Action Dated: May 6, 2003

Turning next to the publications of September 8, 1987, October 12, 1987 and November 30, 1987 noted on page 6 of the Action, Applicants would respectfully point out that with regard to divulgation, Applicants believe the noted publications concern only matters of visible, service application page form, and, accordingly, because, matters of page structure are "invisible" and because Applicants' claims 1-51 include limitations concerning page structure and internal design, Applicants' believe the noted publications are not relevant to Applicants' invention as currently claimed. Stated otherwise the appearance and display of an interactive service such as Applicants teach does not and can not disclose or divulge the internal operation and structure of Applicants' invention as currently claimed.

In closing, Applicants would respectfully note, that in the event the Examiner has any questions regarding Applicants' remarks here or otherwise concerning the matters considered, Applicants' attorney would be pleased to meet with the Examiner at his convenience for a further discussion of them.

Dated: November 6, 2003

Respectfully submitted,

  
Paul C. Scifo, Esq.  
Reg. No.: 27,089  
Attorney for Applicants  
10 Lee Court  
Franklin Square, New York 11010  
(516) 488-2315

I hereby certify that this correspondence is being deposited with the United States Postal Service as Express Mail Post Office to Addressee Number EU 050368481 US in an envelope addressed to the Commissioner for Patents, P.O. Box 1450, Arlington, Virginia 22313-1450, on

**November 6, 2003**

Name of Registered Representative: Paul C. Scifo, Esq.

Signature:

Date: November 6, 2003